



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

JAN 3 - 2008

Cynthia Wittmer, Esq.  
Parker Poe Adams and Bernstein, L.L.P.  
Wachovia Capitol Center  
150 Fayetteville Street Mall  
Suite 1400, Post Office Box 389  
Raleigh, NC 27602-0389

RE: MUR 5948  
Critical Health Systems of North Carolina, P.C.,  
Critical Health Systems, Inc.,  
Robert Alphin, M.D.,  
James Collawn, M.D.,  
Walter E. Daniel, M.D.,  
Michael Lish, M.D.,  
Robert E. Seymour, M.D.,  
Paul Woodard, M.D.

Dear Ms. Wittmer:

On December 11, 2007, the Federal Election Commission accepted the signed conciliation agreement, civil penalty and disgorgement submitted on your clients' behalf in settlement of violations of 2 U.S.C. §§ 441b(a) and 441f and 11 C.F.R. § 110.4(b)(iii), provisions of the Federal Election Campaign Act of 1971, as amended and the Commission's regulations, respectively. Accordingly, the file has been closed in this matter.

Documents related to the case will be placed on the public record within 30 days. See Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 70,426 (Dec. 18, 2003). Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B).

Enclosed you will find a copy of the fully executed conciliation agreement for your files. Per the terms of the conciliation agreement, you are required to instruct each recipient committee

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to disgorge all contributions referenced in the agreement, which have not been previously refunded or disgorged. If you have any comments or questions, please contact me at (202) 694-1650.

It was a pleasure working with you, and I wish you a healthy and prosperous new year.

Sincerely,

A handwritten signature in black ink, appearing to read "April J. Sands". The signature is fluid and cursive, with the first name "April" and last name "Sands" clearly distinguishable.

April J. Sands  
Attorney

Enclosure  
Conciliation Agreement

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )

Critical Health Systems of North Carolina, P.C. )

Critical Health Systems, Inc. )

Robert Alphin, M.D. )

James Collawn, M.D. )

Walter E. Daniel, M.D. )

Michael Lish, M.D. )

Robert E. Seymour, M.D. )

Paul Woodard, M.D. )

MUR 5948

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FEDERAL ELECTION  
COMMISSION  
OFFICE OF GENERAL  
COUNSEL

CONCILIATION AGREEMENT

This matter was initiated by a *sua sponte* submission filed with the Federal Election Commission ("the Commission") by Critical Health Systems of North Carolina, P.C. ("CHSNC") and Critical Health Systems, Inc. ("CHS") pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. §§ 437g(a)(1) and (2). In the submission, CHSNC voluntarily disclosed that it had discovered that partner and non-partner physicians of the Wake Practice Center of CHSNC made contributions to various Federal political and candidate committees from 1998-2006, some of which were then reimbursed by CHSNC through CHS. Based on the facts voluntarily disclosed by CHSNC and CHS and other available information, the Commission found reason to believe CHSNC violated 2 U.S.C. §§ 441b(a) and 441f. The Commission also found reason to believe CHSNC Wake Practice Center partner/shareholder physicians Robert Alphin, James Collawn, Walter E. Daniel, Michael Lish, Robert E. Seymour and Paul Woodard violated 2 U.S.C. § 441f. Further, the Commission found reason to believe that CHS violated 11 C.F.R. § 110.4(b)(iii). CHSNC, CHS, and CHSNC Wake Practice Center partner/shareholder physicians Robert Alphin, James

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Collawn, Walter E. Daniel, Michael Lish, Robert E. Seymour, and Paul Woodard are collectively referred to in this Conciliation Agreement as "the Respondents."

NOW, THEREFORE, the Commission and the Respondents, having participated in informal methods of conciliation prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondents and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C.

§ 437g(a)(4)(A)(i).

II. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondents enter voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

1. CHSNC is a North Carolina corporation, divided into two primary practice centers: the Wake Practice Center and the Raleigh Practice Center.

2. CHS is a Delaware corporation that provides billing, accounting and management services to CHSNC, among others. Since 1999, there have been nine members of the CHS Board of Directors, three of whom at all times have been Wake Practice Center physicians.

3. During mid-2006, officers of CHSNC brought to the attention of counsel questions regarding compliance with the Federal Election Campaign Act of 1971, as amended (the "Act"), and requested counsel commence an internal investigation. That investigation led to the discovery of 36 political contributions to four federal political committees by Wake Practice Center physicians spanning from 1998-2006, some of which were reimbursed by CHSNC

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through CHS. Both partner/shareholder physicians and non-partner/non-shareholder physicians made the contributions.<sup>1</sup> As a result of counsel's investigation, it was determined that special payments were made in some years from the Wake Practice Center's income to its partners and non-partners who made federal political contributions. The timing of these special payments roughly coincided with the contributions and, in most instances, were for double the amount of the contributions.

4. The Act defines "contribution" as anything of value made by any person for the purpose of influencing any election for federal office. 2 U.S.C. § 431(8)(A)(i). Under the Act, corporations are prohibited from making contributions or expenditures from their general treasury funds in connection with any election of any candidate for federal office. 2 U.S.C. § 441b(a). Corporate officers are prohibited from consenting to such contributions. *Id.* The Act also provides that no person shall make a contribution in the name of another person or knowingly permit his or her name to be used to effect such a contribution. 2 U.S.C. § 441f. The Act defines the term "person" to include a corporation. 2 U.S.C. § 431(11). Thus, the prohibition applies to a corporation's reimbursement to an individual for his contribution to a Federal candidate or political committee.

5. No person shall knowingly help or assist any person in making a contribution in the name of another. 11 C.F.R. § 110.4(b)(iii).

6. In 2000 and 2001, CHSNC Wake Practice Center partner and non-partner physicians made a total of \$19,900 in contributions in their own names, for which they received reimbursement with CHSNC corporate funds through CHS.

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<sup>1</sup> The Wake Practice Center partner physicians of CHSNC share equally in the workload and the income of their practice group. That is, each of the partner physicians is entitled to receive and does receive each year an equal allocation of the income of that practice group. This income is allocated in the form of monthly salary payments, monthly bonus payments, and special and annual bonus payments.

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7. The following contributions were made by CHSNC Wake Practice Center partner physicians in their own names, for which they received reimbursement with CHSNC corporate funds through CHS:

Recipient Committee	CHSNC Partner Physician	Amount Contributed	Date Contributed
Friends of Dave Weldon	Robert Alphin, M.D.	\$1,000	6/19/2003
Virginia Foxx for Congress	Robert Alphin, M.D.	\$500	3/06/2006
Friends of Dave Weldon	James Collawn, M.D.	\$1,000	6/19/2003
Friends of Dave Weldon	Walter E. Daniel, M.D.	\$1,000	6/19/2003
Virginia Foxx for Congress	Walter E. Daniel, M.D.	\$500	3/06/2006
Friends of Dave Weldon	Michael Lish, M.D.	\$1,000	6/19/2003
Friends of Dave Weldon	Robert E. Seymour, M.D.	\$1,000	6/19/2003
Virginia Foxx for Congress	Robert E. Seymour, M.D.	\$500	3/06/2006
Virginia Foxx for Congress	Paul Woodard, M.D.	\$500	3/06/2006
<b>TOTAL</b>		<b>\$7,000.00</b>	

8. In 2003, one of the five partner physicians who contributed \$1,000 to the Friends of Dave Weldon campaign was a CHS Board member at the time of the contribution. In 2006, two of the four partner physicians who contributed \$500 each to the Virginia Foxx for Congress campaign were also CHS Board members at the time of their contributions.

9. CHS assisted CHSNC in the making of contributions in the name of others by processing the reimbursement requests and issuing reimbursement checks to the conduits, including at least one Wake Practice Center physician/shareholder who was also a CHS Board member.

10. The Respondents fully cooperated with the Commission throughout the course of its investigation. This level of cooperation helped facilitate a timely resolution of the matter.

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V. Respondent Critical Health Systems of North Carolina, P.C. made or consented to prohibited corporate contributions and contributions in the names of others in violation of 2 U.S.C. §§ 441b(a) and 441f.

VI. Respondents partner/shareholder physicians Robert Alphin; James Collawn; Walter E. Daniel; Michael Lish; Robert E. Seymour; and Paul Woodard permitted their names to be used to effect corporate political contributions in violation of 2 U.S.C. § 441f.

VII. Respondent Critical Health Systems, Inc. knowingly helped or assisted in the making of contributions in the name of others in violation of 11 C.F.R. § 110.4(b)(iii).

VIII. Respondents will jointly pay a civil penalty to the Federal Election Commission in the amount of Three Thousand Four Hundred Dollars (\$3,400) pursuant to 2 U.S.C. § 437g(a)(5)(B). In addition, individual Respondents Robert Alphin; James Collawn; Walter E. Daniel; Michael Lish; and Robert E. Seymour will disgorge \$1,000 each to the U.S. Treasury. Respondents will cease and desist from violating the Act and applicable Federal regulations.

IX. Further, Respondents will waive their right to a refund of all political contributions from the recipient committees and will instruct each recipient committee to disgorge all illegal contributions referenced in this Agreement, which have not been previously refunded or disgorged, to the U.S. Treasury.

X. In determining the appropriate civil penalty for this case, the Commission considered the following factors:

- A. Officers of CHSNC requested that counsel conduct an internal review to determine the extent of the impermissible activity and ultimately reported the violations to the Commission;

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- B. Following counsel's investigation and analysis of contributions by the Wake Practice Center physicians, the CHSNC Board requested that counsel prepare a policy governing political contributions by CHSNC, which has been adopted by the CHSNC Board;
  - C. CHSNC has not notified the affected committees regarding the impermissible contributions to request that they disgorge the monies received to the US Treasury;
  - D. The Respondent physicians have not disgorged or refunded all of the reimbursements they received as a result of their impermissible contributions;
  - E. Respondents fully cooperated with the Commission in ensuring that the *sua sponte* submission was complete and accurate.

XI. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

XII. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

XIII. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.



FOR THE COMMISSION:

Thomasenia P. Duncan  
General Counsel

1-2-07  
Date

BY: Ann Marie Terzaken by KMG  
Ann Marie Terzaken  
Associate General Counsel  
for Enforcement

FOR THE RESPONDENTS:

11/20/07  
Date

11/20/2007  
Date

Cynthia L. Wittmer  
Cynthia L. Wittmer, Esq.

John R. Wallace  
John R. Wallace, Esq.

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